IR release

4 November 2016

Commerzbank: Operating Profit Up – CET 1 Capital Ratio Increased to 11.8%

- **Operating profit of €429 m for third quarter 2016 compared to €351 m for second quarter 2016 (Q3 2015: €452 m)**
- **CET 1 capital ratio increased to 11.8% as of end of September 2016 (end of June 2016: 11.5%; end of September 2015: 10.8%), leverage ratio at 4.5%**
- **Higher loan loss provisions of €610 m in the first nine months (first nine months of 2015: €584 m); non-performing loan ratio still very low at 1.7%**
- **Operating expenses down slightly at €5,328 m in the first nine months (first nine months of 2015: €5,413 m), more than compensating for the new Polish banking tax**
- **New strategy and structure will result in balanced profit contributions from the two operating segments Private and Small Business Customers and Corporate Clients**
- **Goodwill write-off of €627 m results in net profit of €96 m in the first nine months (first nine months of 2015: €891 m), and of minus €288 m for the third quarter (Q3 2015: €235 m)**
- **Zielke: "Commerzbank has a strong market position in corporate banking. We have seen further growth in retail banking and at our Polish subsidiary mBank. These are good prerequisites for the implementation of our Commerzbank 4.0 strategy, which will enable us to sustainably increase our profitability. We are pursuing our growth targets ambitiously, consistently, and forcefully."**

Commerzbank improved its operating profit in the third quarter compared to the previous quarter, and increased its Common Equity Tier 1 ratio to 11.8%. The **operating profit** for this period stood at €429 million versus €351 million in the second quarter (Q3 2015: €452 million). The figure for the first nine months of 2016 was €1,062 million (first nine months of 2015: €1,558 million). **Revenues before loan loss provisions** were €2,437 million in the third quarter (Q3 2015: €2,317 million) and €7,000 million in the first nine months (first nine months of 2015: €7,555 million). **Loan loss provisions** increased to €610 million in the first nine months of 2016 (first nine months of 2015: €584 million). This was due to the fact that, as expected, loan loss provisions were considerably higher, at €275 million, in the third quarter of 2016 than in the same quarter of last year (Q3 2015: €146 million) on account of the further deterioration in the shipping markets. Apart from that, loan loss provisions remain low, reflecting the Bank's healthy risk profile. Its good risk profile is also evident from its non-performing loan ratio of just 1.7%, which is very low compared to its European peers.

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Operating expenses were down slightly year-on-year at €5,328 million for the first nine months of 2016 (first nine months of 2015: €5,413 million). The Bank's ongoing efficiency measures more than compensated for strategic investments in digitalisation, regulatory, and compliance enhancements as well as the new Polish banking tax. Operating expenses amounted to €1,733 million in the third quarter of 2016 (Q3 2015: €1,719 million). The **pre-tax profit**, taking into account an impairment on goodwill and other intangible assets of €627 million and restructuring costs of €97 million, came in at €338 million for the first nine months of 2016. So after deduction of taxes of €161 million and minority interests of €81 million, Commerzbank posted a **net profit** of €96 million for the first nine months of 2016 (first nine months of 2015: €891 million). The net result for the third quarter of 2016 came out at minus €288 million (Q3 2015: €235 million), due mainly to the aforementioned impairment on goodwill and other intangible assets, which was already announced at the time of the unveiling of the new Commerzbank strategy.

“Commerzbank has a strong market position in corporate banking. We have seen further growth in retail banking and at our Polish subsidiary mBank. These are good prerequisites for the implementation of our Commerzbank 4.0 strategy, which will enable us to sustainably increase our profitability. We are pursuing our growth targets ambitiously, consistently, and forcefully,” said Martin Zielke, Chairman of the Board of Managing Directors of Commerzbank.

CET 1 ratio of 11.8%

The **Common Equity Tier 1 ratio (CET 1)** with full application of Basel 3 stood at 11.8% at the end of September 2016 (end of June 2016: 11.5%; end of September 2015: 10.8%). The improvement in the CET 1 ratio is attributable in particular to a reduction in **risk-weighted assets (RWA)**. RWA with full application of Basel 3 were reduced by approximately €4 billion, through active risk management, to €195 billion as of 30 September 2016 (end of June 2016: €198 billion). The **total assets** in the Group amounted to €513 billion as of the end of September 2016 (end of June 2016: €533 billion). The **leverage ratio** stood at 4.5% at the end of September 2016 (end of June 2016: 4.4%).

“We have reconfirmed our very good risk profile and increased our Common Equity Tier 1 ratio to 11.8 percent. It should rise to around 12 percent by the end of the year,” said Stephan Engels, Chief Financial Officer of Commerzbank.

Development of the segments

The restructuring of the segments announced as part of the new strategy decided at the end of September will mean that the two new operating segments will contribute fairly equally to the Bank's comprehensive income. Under the new structure and based on a preliminary calculation, the **Private and Small Business Customers** segment generates an operating profit of €0.8 billion and revenues before loan loss provisions of €3.6 billion

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for the first nine months of 2016. The **Corporate Clients** segment generates an operating profit of €0.9 billion and revenues before loan loss provisions of €3.4 billion for the same period. The new reporting structure will come into effect in the fourth quarter of 2016, and the results will be presented in this format for the first time with the annual press conference on 9 February 2017.

The results under the former structure were as follows:

The **Private Customers** segment saw its operating profit climb to €580 million in the first nine months of 2016 (first nine months of 2015: €555 million). The third quarter accounted for €209 million of this (Q3 2015: €228 million). In the period under review, as in the first nine months of the previous year, non-recurring effects were recognised which, overall, had a positive impact on the operating profit. Revenues before loan loss provisions slipped slightly to €2,823 million in the first nine months (first nine months of 2015: €2,870 million). The segment worked to counter the ongoing pressure on its deposit business caused by the negative interest-rate environment with the help of targeted measures, aimed in particular at increasing the volume of the lending business. Its loan volume rose by 8% year-on-year in the third quarter of 2016. New mortgage financing was up on the previous quarter and year-on-year. The securities business also improved slightly over the previous quarter. In addition, there was a further improvement in the composition of securities revenues. The proportion of the securities volume in premium custody accounts and managed accounts increased from 43% to 48% in the first nine months in a year-on-year comparison. Overall, the Private Customers segment saw continued growth. The Bank has attracted a total of 994,000 net new customers since 2013, so it is already close to its target of 1 million net new customers by the end of the year. Loan loss provisions decreased in the first nine months to a very low level of €11 million (first nine months of 2015: €51 million). Operating expenses were down slightly for the first nine months at €2,232 million (first nine months of 2015: €2,264 million).

Mittelstandsbank saw its operating profit reduced year-on-year in the first nine months of 2016 to €640 million due largely to lower revenues and much higher loan loss provisions (first nine months of 2015: €910 million). The third quarter accounted for €229 million of this (Q3 2015: €231 million). Hence, Mittelstandsbank continued to show a solid performance overall. Revenues before loan loss provisions – excluding adjustments for counterparty risk in the derivatives business – amounted to €2,078 million in the first nine months of 2016 (first nine months of 2015: €2,195 million). The negative interest rate environment, especially, had an adverse effect on deposit margins. In addition, net commission income was lower, particularly in Financial Institutions, due to the strategic focussing. However, revenues before loan loss provisions held stable in Large Corporates & International over the same period. Loan loss provisions for the segment rose substantially in the first nine months of 2016 to €213 million (first nine months of 2015: €110 million). Operating expenses were up over the same period – due primarily to investments in Compliance and IT – at €1,238 million (first nine months of 2015: €1,195 million).

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The **Central & Eastern Europe** segment posted a good operating profit of €243 million for the first nine months of 2016 (first nine months of 2015: €254 million). Of this, €57 million were contributed in the third quarter (Q3 2015: €97 million). The new Polish banking tax introduced in February 2016 resulted in a charge of €54 million, which was partly offset by the positive revenue trend in the first nine months. Revenues before loan loss provisions climbed to €720 million in the first nine months of 2016 (first nine months of 2015: €687 million). The good revenue performance was supported by a positive one-off effect from the sale of the One Visa shares, totalling €65 million, in the second quarter. The revenues for the first nine months of 2015 also included a positive one-off effect of €46 million from the sale of the insurance business to the Axa Group. Even excluding these two one-off effects, revenues increased year-on-year. This was due to continued organic growth at mBank, which is reflected particularly in the positive trend in net interest income. There was an improvement both in volume terms and in the interest margin, for example the volume of consumer loans increased by 15% over this period. mBank also continued its positive trend in attracting new customers. In the third quarter around 104,000 net new customers in Poland, the Czech Republic and Slovakia joined mBank, taking its customer total to around 5.3 million customers at the end of September. Loan loss provisions of the segment remained virtually unchanged at €74 million in the first nine months of 2016 (first nine months of 2015: €75 million). Operating expenses increased in the first nine months, as a result of the Polish banking tax, to €403 million (first nine months of 2015: €358 million).

The **Corporates & Markets** segment, continuing to operate in a difficult market environment, saw its operating profit for the first nine months of 2016 reduced to €147 million after adjustments for valuation effects from own liabilities (OCS effect) and adjustments for counterparty risk in the derivatives business (first nine months of 2015: €410 million). This decrease was due mainly to a weaker first half in 2016. Its adjusted operating profit for the third quarter was at €22 million (Q3 2015: €25 million). Revenues before loan loss provisions – excluding the OCS effect and adjustments for counterparty risk in the derivatives business – fell to €1,210 million in the first nine months (first nine months of 2015: €1,514 million). Fixed Income & Currencies (FIC) and Advisory & Primary Markets (APM) saw their revenues remain virtually stable over this period, while Equity Markets & Commodities (EMC) and Credit Portfolio Management (CPM) registered a dip in revenues. EMC in particular was hit by the high level of uncertainty on the capital markets, which took its toll on business in structured investment products for institutional clients. Loan loss provisions in the segment totalled €22 million in the first nine months, versus net releases of loan loss provisions amounting to €25 million in the first nine months of 2015. Operating expenses were down sharply in the first nine months of 2016 at €1,041 million (first nine months of 2015: €1,129 million).

The **Asset & Capital Recovery** (ACR) segment reported a year-on-year improvement in its operating result in the first nine months of 2016 to minus €359 million (first nine months of 2015: minus €399 million). The third quarter accounted for minus €108 million of this (Q3 2015: €52 million). Revenues before loan loss provisions slipped to €30 million in the first nine months of 2016 (first nine months of 2015: €62 million). Loan loss provisions for the same period were lower, at €292 million (first nine months of 2015: €311 million), with only

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Ship Finance reporting a net addition to loan loss provisions in 2016. Operating expenses were down sharply in the first nine months of 2016 at €97 million (first nine months of 2015: €150 million).

Outlook

Including the goodwill impairments, Commerzbank is expecting a positive net result for the full year 2016. The CET 1 ratio after full application of Basel 3 should rise to around 12% by the end of the year. Commerzbank intends to keep its cost base for full year 2016 stable compared to last year. The Bank will fully offset additional external burdens to achieve this. Loan loss provisions should be under €1 billion despite the continuously challenging situation on the shipping markets.

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Financial figures at a glance

in € m	9M 2016	Q3 2016	Q2 2016	9M 2015	Q3 2015
Net interest and trading income	4,126	1,508	1,274	4,951	1,469
Provisions for loan losses	–610	–275	–187	–584	–146
Net commission income	2,379	777	781	2,595	825
Net investment income	257	94	131	–106	–39
Current income on companies accounted for at equity	142	79	14	46	15
Other income	96	–21	40	69	47
Revenues before loan loss provisions	7,000	2,437	2,240	7,555	2,317
Operating expenses	5,328	1,733	1,702	5,413	1,719
Operating profit or loss	1,062	429	351	1,558	452
Impairments of Goodwill	627	627	-	-	-
Restructuring expenses	97	57	40	94	28
Pre-tax profit or loss	338	–255	311	1,464	424
Taxes	161	14	58	489	158
Consolidated profit or loss attributable to Commerzbank shareholders	96	–288	215	891	235
Earnings per share (€)	0.08	–0.23	0.17	0.75	0.19
Cost/income ratio in operating business (%)	76.1	71.1	76.0	71.6	74.2
Operating RoTE (%)	5.3	6.4	5.3	8.1	6.8
Net RoTE (%)	0.5	–4.5	3.4	4.8	3.7
Net RoE (%)	0.4	–4.0	3.0	4.3	3.3
CET 1 ratio B3, fully phased-in (%)	11.8	11.8	11.5	10.8	10.8
Leverage Ratio, B3 fully phased-in (%)	4.5	4.5	4.4	4.1	4.1
Total assets (€ bn)	513	513	533	568	568

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About Commerzbank

Commerzbank is a leading international commercial bank with branches and offices in more than 50 countries. With the two business segments Private and Small Business Customers, as well as Corporate Clients the Bank offers a comprehensive portfolio of financial services which is precisely aligned to the clients' needs. Commerzbank finances more than 30 per cent of Germany's foreign trade and is the unchallenged leader in financing for SMEs. The Commerzbank subsidiaries Comdirect in Germany and M Bank in Poland are two of the world's most innovative online banks. With approximately 1,000 branches Commerzbank has one of the densest branch networks among German private banks. In total, Commerzbank boasts more than 16 million private customers, as well as 1 million business and corporate clients. The Bank, which was founded in 1870, is represented at all the world's major stock exchanges. In 2015, it generated gross revenues of almost 9.8 billion Euro with approximately 51,300 employees.

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Disclaimer

This release contains forward-looking statements. Forward-looking statements are statements that are not historical facts. In this release, these statements concern inter alia the expected future business of Commerzbank, efficiency gains and expected synergies, expected growth prospects and other opportunities for an increase in value of Commerzbank as well as expected future financial results, restructuring costs and other financial developments and information. These forward-looking statements are based on the management's current plans, expectations, estimates and projections. They are subject to a number of assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results and developments to differ materially from any future results and developments expressed or implied by such forward-looking statements. Such factors include the conditions in the financial markets in Germany, in Europe, in the USA and other regions from which Commerzbank derives a substantial portion of its revenues and in which Commerzbank holds a substantial portion of its assets, the development of asset prices and market volatility, especially due to the ongoing European debt crisis, potential defaults of borrowers or trading counterparties, the implementation of its strategic initiatives to improve its business model, the reliability of its risk management policies, procedures and methods, risks arising as a result of regulatory change and other risks. Forward-looking statements therefore speak only as of the date they are made. Commerzbank has no obligation to update or release any revisions to the forward-looking statements contained in this release to reflect events or circumstances after the date of this release.

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